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## **Bosnia-Herzegovina**

### **Dairy and Products**

### **Dairy Situation and Outlook**

## **2000**

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#### **Report Highlights:**

**Dairy production in Bosnia-Herzegovina is recovering, and rebuilding of dairy processing capacity is expected to reduce demand for imported milk products.**

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Includes PSD changes: Yes

Includes Trade Matrix: No

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## Pre-war Situation (1991)

In the pre-war period (till 1992) state farms, with 4% of total number of cattle and with 1-2% of total number of cows in milk, produced 3-4% of total milk production and provided about 25% of necessary milk for processing. Small private farms were characterized by low level of market milk production and usually that production was consumed on-farm. More than 80% of the total number of private farms had one or two cows per farm. Only 6-7% of total private milk production was sold to the dairy processing industry. There was big difference between state and private farms regarding milk production intensity, composition of breeds and use of modern technologies. So, in 1991 the average milk yield per cow on state farms was 4,693 liters, while on private farms the average yield per cow was only 1,493 liters. Low milk production per cow on private farms was caused first of all by poor breed composition (domestic, low-producing, indigenous breeds), backward technology and an extensive manner of production (pasture agriculture).

In pre-war 1991 total annual milk production was 852 million liters. Annual average consumption per capita was: 110.9 liters of fresh milk, 6.3 liters of yogurt, 7.4 kg of cheese, 0.6 kg of butter and 3.6 kg of cream.

## Overview of 1999

Livestock inventories were significantly reduced by the war, with estimates of loss as high as 70% according to officials of the post-war ministries of agriculture. After the war livestock herd rebuilding started and it is still underway. That process was conducted by different programs financed by the World Bank, European Community, and numerous government and non-government organizations in Bosnia and Herzegovina.

On the basis of available official and unofficial statistical data and our estimates, the situation regarding cattle and sheep and milk production for the period 1997-1999 in Bosnia and Herzegovina is shown in Table 1.

In 1997 the number of dairy livestock (both cattle and sheep) was half the number of 1991. But thanks to different programs (above mentioned) numbers are increasing, as is an increase in milk productivity per cow which can be explained with the fact that better breed composition (import of quality breeds like Simmenthal (80%), Friesians, Oberinnthal, Montafon).

The quantity of milk purchased from private farms is increasing. According to information from the Ministry of Agriculture of the Federation of Bosnia and Herzegovina, the quantity of purchased milk from private farms was about 18 millions liters in 1997, 36 millions liters in 1998 and in 1999 it increased to 50 millions liters of purchased milk. The same trend exists in the Republika Srpska as well. This increase can be explained to some degree by price incentive measures of the governments in both entities, but also by building of dairy processing plants. In 1999, 30 dairy plants existed in Bosnia-Herzegovina with installed capacities of 200 million liters of milk per year (135 million in FBiH and 65 million in RS). The main problem of these plants is low capacity utilization of about 25% (22.6 % in

FB&H, 32% in RS).

Table 1: Dairy Livestock Inventories and Milk Production in Bosnia and Herzegovina, 1997-1999										
	1991	1997 (December 31)			1998 (December 31)			1999 (December 31)		
	B&H	FBiH	RS	Total B&H	FBiH	RS	Total B&H	FBiH	RS	Total B&H
<b>Cattle</b>										
Total number	852,990	216,731	209,012	425,743	223,074	219,463	442,537	231,492	230,436	461,928
Cows and heifers in calf	622,919	158,801	156,000	314,801	174,083	163,800	337,883	176,409	171,990	348,399
Cows in milk	574,000	153,000	140,040	293,400	149,000	147,420	296,420	150,730	151,843	302,573
Total Milk Production (in 1000 liters)	874,324	230,249	183,588	413,837	276,971	224,078	501,049	286,522	265,725	552,247
Average yield per cow (l)	1,527	1,504	1,307	1,410	1,862	1,520	1,690	1,901	1,750	1,825
<b>Sheep</b>										
Total number	1,317,000	264,000	316,712	580,712	290,562	342,048	632,610	299,069	362,572	661,641
Ewes for breeding	963,000	189,000	238,000	427,000	209,730	257,040	466,770	228,040	277,603	505,643
Ewes in milk	416,000	145,000	65,000	210,000	151,000	70,200	221,200	147,272	73,710	220,982
Total milk production (in 1000 l)	12,940	7,099	1,950	9,049	7,756	2,106	9,862	7,355	2,285	9,640
Average milk per ewe (l)	27	47	30	43	51	30	45	50	31	44
<p>Note: RS - The Republika Srpska, FBiH - Federation of Bosnia and Herzegovina</p> <p>Total milk production does not include milk for calves</p> <p>Source: Statistical Yearbook of Bosnia and Herzegovina 1992,</p> <p>Statistical Yearbook of Federation of Bosnia and Herzegovina 1993-1998,</p> <p>Statistical Yearbook of Federation of Bosnia and Herzegovina 1998,</p> <p>Livestock Production in FBiH, 1999, The Federation of FBiH Institute for Statistics (Unpublished data)</p> <p>Dairy Sector in the Republika Srpska, Feasibility Study, Tebodin, Banja Luka, 1998</p> <p>Livestock Production in the Republika Srpska, 1997, The Republika Srpska Institute for Statistics (Unpublished data)</p> <p>Dairy Industry in B&amp;H, ASPU (Agriculture Strategy and Programming Unit), 1999</p> <p>Own estimates for the Republika Srpska (1998 and 1999)</p>										

Bosnia and Herzegovina cannot provide enough fresh milk and milk products, so significant quantities are imported. Part of this trade comes into the country legally, but a large part enters illegally. According to information from RS, 30,000 to 40,000 liters of milk daily comes into that entity illegally. In the Federation of BiH the situation is even worse, and it is estimated that in 1999 FBiH lost about 18 million DM of potential customs duties. Official data regarding import of milk and its products are shown in Table 2.

The most important sources of imported milk for FBiH are Slovenia, Croatia, Germany and Hungary, and for the Republika Srpska it is Serbia.

Table 2: Import of Milk and Milk Products in FBiH and RS (official data)			
	F B&H		RS

	1998	1999	1997
Liquid Milk (in 1000 kg)	31429	24802	215
Milk Powder(in 1000 kg)	3033	2863	N/A
Butter (in 1000 kg)	1211	1179	10
Dairy Drinks (in 1000 kg)	9328	12994	496
Cream (in 1000 kg)	965	897	954
Cheese (in 1000 kg)	7448	4311	225
Source: Federation of B&H Institute of Statistics Ministry of Trade Dairy Sector in the Republika Srpska, Feasibility Study, Tebodin, Banja Luka, 1998			

There is import tariff of 10% on milk and milk products in both entities of BiH.

In the dairy sector there is separate independent agrarian policy in milk production in each of the entities. The government of the Federation of BiH has proclaimed very clearly that milk production is of strategic importance and must be supported. The government introduced a minimum milk price which is 0.125 DEM per fat unit as well as 0.45 DEM per liter of milk with 3.6 fat units (Official Gazette of Federation of BiH, No. 12/99, pg. 270). In addition, the FBiH government introduced a premium for milk which is 30% of the purchase price or 0.0375 DEM per fat unit. It is important to note that the milk premium can be received only if farmers are selling the milk to officially recognized milk buyers.

The milk price in RS is formed on a free basis and dairy plants offer a price per fat unit which in 1999 was between 0.10 and 0.11 DEM. The government of RS also pays a premium for milk to private farms of 0.07 DEM per liter of milk with 3.2% fat content.

### **Animal Diseases**

Beginning in spring 2000, outbreaks of Q-fever and brucellosis were observed in cattle, goats and sheep. Initially located in the area around Mostar, the incidence has since spread to other locations in the Federation of BiH, first up the Neretva valley and then up the Bosna valley. The diseases jumped to the human population as well. The origin of the Q-fever outbreak is believed to be sheep imported from Romania.

### **Forecast for 2000**

The trend of increase of livestock inventories and total domestic milk production is expected to continue. Building of new dairy processing plants will potentially reduce the need to import fresh milk, while imports of non-fluid milk products will probably stay at the same level as in 1999. The main problem will be purchasing of milk from private farms. The most important countries of origin will be Slovenia and Croatia for the Federation as well as Serbia for the Republika Srpska. Some greater

imports from Croatia can be expected because of the new political situation in that country. Import tariffs will stay at the same level (10%), and incentive agrarian policy measures (premium) will stay at the same level too.

PSD Table						
Country:	Bosnia-Herzegovina					
Commodity:	Dairy, Milk, Fluid					
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Cows In Milk	0	296	0	302	0	310
Cows Milk Production	0	595	0	652	0	690
Other Milk Production	0	10	0	10	0	10
TOTAL Production	0	605	0	662	0	700
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	90	0	82	0	72
TOTAL Imports	0	90	0	82	0	72
TOTAL SUPPLY	0	695	0	744	0	772
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	8	0	9	0	8
TOTAL Exports	0	8	0	9	0	8
Fluid Use Dom. Consum.	0	402	0	415	0	420
Factory Use Consum.	0	190	0	221	0	240
Feed Use Dom. Consum.	0	95	0	99	0	104
TOTAL Dom. Consumption	0	687	0	735	0	764
TOTAL DISTRIBUTION	0	695	0	744	0	772
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0